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## Economic Emancipation of The SAARC Countries: Lessons from ASEAN

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### Abstract:

*The paper attempts to highlight the ways and the different strategies in which the SAARC (South Asian Association for Regional Cooperation) countries can attain economic emancipation by taking lessons from ASEAN (Association of South Asian Nations), a regional body of some East Asian countries. ASEAN came out to be a very successful forum, which was formed to accelerate the economic growth and social development to raise the living standards of their people. Members of the ASEAN, to be noted here, were economically lagging behind the countries of this sub-continent even in mid- sixties. By moving speedily and steadily with integrated endeavourer, ASEAN countries became the fastest growing economic region of the world. For example, having started roughly on similar per capita income, Singapore, after three decades, enjoys about eighty five times higher than Bangladeshi per capita income. The paper will, then, delve into ASEAN's economic arena and find out how they succeeded. Dwelling briefly on the genesis of SAARC, this paper will ascertain the causes of failures of this body and explore the ways and means it can replicate ASEAN's successes in its quest for economic emancipation so as to emergent as an Asian economic powerhouse.*

### 1. Introduction

The twentieth century witnessed a series of wars on global scale since its dawn. Termination of Second World War marked their end. Thereafter, it again witnessed yet another kind of war, which popularly came to be known as “Cold War”. Today, “Cold War” is history. The war effort has shifted from the theatre of military operations to the economic front. Economic emancipation is the order of the day, especially for the developing countries. In this regard regionalism, sub-regionalism and inter-regional co-operations have evolved as a new innovative phenomenon. This phenomenon tends to avoid the traumatic course of conflict and maximizes the regional efforts for development. It is manifested by the formation of ASEAN, OAS, GCC (Gulf Cooperation Council), SAARC and many others.

Of these, ASEAN came out to be a very successful regional body of co-operation for development. Members of ASEAN were economically lagging behind the countries of this sub-continent even in mid-sixties. But, by moving speedily and steadily with integrated endeavor, ASEAN countries became the fastest growing region in the world. Having started roughly on similar nominal per capita income, after three decades,

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Singapore now enjoys about eighty-five times higher than Bangladeshi per capita income. Presently, she is the ninth richest country in the world on this count. We, the SAARC members at their next doors, remain trapped in utter poverty with more than half of our population living below the poverty line.

The challenge on the economic front facing South Asia at the commencement of third millennium is formidable. The backlog of overcoming human deprivation in this part of the world is colossal, but not yet unmanageable. ASEAN's success story in regional endeavour inspires us to replicate their mode of regional co-operation to overcome our human depravity.

This paper will delve into ASEAN's economic arena and find out how they succeeded. Dwelling briefly on the genesis of SAARC, this paper will then determine the failures of this body and explore the ways it can replicate ASEAN's successes in its quest to arise as an emerging Asian economic powerhouse.

## **2. Objective of the Study**

The main purpose of this paper is to explore the successes of ASEAN on the economic front and to recommend how SAARC can emulate those.

## **3. Methodology of the Study**

This study is based on secondary data. Literature review as a source of secondary data is basically focused on the economic and social development of South Asian nations. Through the literature review the related study has been critically consulted and analyzed. In this process, extensive qualitative explorations were undertaken. Based on the literature review and discussion with colleagues and advisors, a preliminary framework that describes an economic emancipation has been established. The secondary data were collected from some renowned national and international organizations and the published and the unpublished materials.

## **4. DISCUSSION**

### **4.1 ASEAN-Genesis and Evolution**

The ASEAN was born in 1967 amidst under-development, chronic instability, inter-state conflicts and all other legacies of long colonial exploitation (Haque, 1988). This three decade old organisation has already developed itself as a "truly merchandise trade-oriented society" by mobilising its collective strength.

The member countries focused on economic development and co-operated closely within the region burying their differences. Attempts at regional economic co-operation began with signing of the Declaration of ASEAN Concord in 1976. Since then, economic growth has been towering in this region of 450 million people. ASEAN now singularly stands out as an immaculate example of regional co-operation for the developing countries to emulate.

## **4.2 ASEAN Experiences of Regional Co-operation**

**Political Relations and Will:** Successes of a regional forum are dependent upon the political relations and will of the member countries. In case of the Southeast Asian, there was not only the political will to submerge some of the differences for the sake of peace and stability within the sub-region but the members also clearly saw their unity as beneficial in relation to third countries (Thambipillai, 1987). ASEAN derived its substance and success from political consensus based on some shared perceptions of threat from outside and complementing of interests in building regional links.

**Knowing and Assuring Each Other:** All ASEAN members, prior to launching any programme, tried to understand each other well enough to be able to co-operate. They taught what might be called the “Three Rs of Regional Co-operation”: *reach out* to one another in non-controversial way, *respect* each other's sovereignty, and *reassure* everyone else (Donald, 1994). To develop better understanding, intra-regional travel has been made easier. No visa is required for brief visits to other ASEAN countries; driving licences are valid across intra-ASEAN border. Regular cultural exchanges are being arranged. All these steps diffused tension, bettered understanding and ultimately prepared the stage for intimate co-operation.

**Enhancing Zonal Security Collectively:** ASEAN members perceived the regional security collectively. In handling the issues of discord and dissonance, consultations became the modus operandi. ASEAN diplomacy to ensure security centered on the concept of ZOPFAN. To bolster friendship and co-operation, Treaty of Amity and Co-operation was signed. To discourage members from pursuing nuclear goals SEANWFZ was created (Kamaruddin, 1995). Following the end of Cold War, however, and at ASEAN's formal initiative, a new and wider multilateral structure, ARF was created in July 1993 in the Asia-Pacific with a clearly defined security role (Leifer, 1996). All these steps helped them to scale down intra-regional tension, keep the defence budget comparatively lower and divert additional resources for economic emancipation.

**Collective Bargaining Platform:** The ASEAN countries are collective in their approaches to international issues of common concern. They, in unison, open up dialogues through regular forums for economic collaboration with developed countries. Countries with similar products co-operate instead of competing. They take a common approach on issues affecting their export commodities, in dealing with external trade and aid partners. Thus, ASEAN has been able to identify itself consistently with particular stands.

**Trade Liberalisation to Increase Intra-ASEAN Trade:** This is the core of the efforts taken to boost economic activities. The basic framework for the promotion of intra-ASEAN trade was provided by the ASEAN PTA. The number of tariff preferences granted under the PTA reached 18,000 items (Haque, 1998). PTA has been upgraded to AFTA on 1 January 1993. As a result of all these measures, intra-ASEAN trade in 1995 amounted to US\$68.8 billion that was a paltry US\$5.75 billion in 1975.

## **Industrialisation**

**a. Attracting FDI:** The ASEAN countries have increasingly given emphasis on export-oriented industrialization in order to increase economic efficiency at home and economic competitiveness abroad (Wanadi, 1988). To attract FDI, ASEAN members emphasized on infrastructural development on a regional basis. ASEAN therefore became an increasingly attractive location for over-seas investors and multinational enterprises.

**b. Co-operation Within ASEAN:** The basic purpose of ASEAN industrial co-operation is to enable the ASEAN economies to reap the benefits of economies of large-scale production (Haque, 1988). Three different types of programmes were undertaken, namely AIP, AIC and AIJV. All these programmes however did not meet the desired success. ASEAN's newest ambition is to turn the region into a borderless, and low-tariff investment area. In this mega project, ASEAN members are interested to set up one large industrial park on a regional basis (Ahmad, 1996).

***Approach for Planning of Programmes:*** ASEAN members pursued those goals, which are simple and workable rather than grandiose showcase items. They worked through a unique system of planning. They spend less time in setting out terms, conditions and structures of co-operation. Their documents are therefore richer in programmatic details (Chopra, 1987). Their decision-making style is also unique. The ASEAN experience argues for informality, frequent discussions and patience.

***Trade and Investment Through Cyber-Space:*** This is the latest development in ASEAN to promote trade and investment. Doing business in the region will be speeded up through an internet link-up. The internet data-base will provide required information regarding different industries of the region. This will facilitate trade. It also aims at encouraging flow of capital in the region for investment. The proto-type programme has already been developed in Thailand.

## **4.3. Genesis and Evolution of SAARC**

The idea of forming a South Asian regional forum was first mooted by Late President Ziaur Rahman during the period 1977-1980. After an intensive and strenuous process of regional diplomacy, SAARC was formally launched in December 1985 at the first ever summit of South Asian leaders at Dhaka (Ahsan, 1992). The main objective was to promote the welfare of the people of South Asia by accelerated economic growth and social progress.

This 12-year old organization had a bumpy and rough ride since its inception to attain its objective. However, the spirit of "collective self-reliance" has prevailed and it seems that the organization is poised to meet the challenges of the next millennium. It is now imperative for the leaders to look beyond, learn from the experiences of other successful regional organizations and act in a statesman like manner.

#### **4.4. Failures of SAARC and Its' melioration in the Light of ASEAN Experience**

ASEAN's success story in regional endeavor has become a matter of envy and inspiration. However, ASEAN and SAARC are two different realities. These two organizations differ distinctively in their experiences, national values, and pattern of development as well as variations in colonial heritage (Pradhan, 1989). The seven member SAARC countries of the region have their own unique and distinctive entities, their own political systems, cultures and traditions, and not all seven think alike on issues that concern the world, and indeed their own regions (ibid). Nevertheless, the members of SAARC and ASEAN have some common denominators. As such, SAARC can emulate some lessons from ASEAN experience for its economic emancipation. Only relevant and important lessons have been highlighted in the subsequent paragraphs to overcome the failures of SAARC.

**Political Relations and Will:** Although linked by history and culture, the SAARC countries represent quite different political systems and their diversity in economic and military powers fuels suspicion (Kanesalingam, 1991). The political relations amongst SAARC members are not of the kind that pushed the ASEAN states to co-operate. There must be a political will to interact with one another and compromise for the sake of shared interests. Full benefits from economic integration of SAARC economies can be reaped only if the right political conditions prevail.

**Inter-State Rapport:** SAARC is limited to interaction at the highest levels of government only. It has therefore, remained an essentially elitist government-to-government relationship. People-to-people interaction should be developed. Some of the borders between the member countries are so fiercely guarded that it has sealed off the free flow of communication, trade and tourism for decades. This is detrimental to economic growth. No members should form any defence pact with any outside power, thus reassuring other member of SAARC. Only then, the foundation of a viable economic forum can be laid.

**Zonal Security:** There are no common external threats to over-ride the internal divisiveness of the SAARC nations. The threat appears to be right within. How can there be a united effort for economic emancipation when countries feared their own neighbours? Zonal security has to be viewed collectively. Budgetary allocations for defence along common borders must be reduced as it drains out a considerable proportion of available resources. Saved resources can then be utilized for economic activities.

**United Bargaining Platform:** SAARC in this aspect is far behind and has many barriers to cross in order to establish a united bargaining platform. One strong voice comprising all SAARC members will definitely have a stronger impact and reach more listeners than a meek voice representing only one country. Members should have more intra-regional talks to unify their beliefs to bargain with different countries, regional forums and world bodies. South Asian exports such as jute, tea and textiles could be the basis

for co-operation in the fields of research, export markets and price negotiations (ibid). Often SAARC nations spoke with multiple voices in international forums even on matters of common interests. This attitude must change for good.

**Intra-SAARC Trade:** Political disputes have eventually created barriers to trade expansion in the region. The participation of the South Asian countries in intra-regional trade accounted for only 3% (Ahmad, 1996) of the region's total trade volume in 1992. Thereafter, some headway has been made in the realm of regional trading under the auspices of SAPTA (South Asian Preferential Trading Agreement). Tariff concessions on a total of 226 commodities were agreed upon and came into force in December 1995. The offer is too little as compared to ASEAN, if not too late. As such, desired advances in intra-SAARC trade have remained rather elusive. The number of items under tariff concessions has to be increased. However, for a modest beginning SAPTA of course is on the right track. Subsequently, as intra-regional trade gets momentum, SAPTA should be transformed to SAFTA (South Asian Free Trade Area).

### **Industrialisation**

**a. Attracting FDI:** Though agriculture is the mainstay of South Asian countries, industrialization is the key to economic emancipation. FDI is one of the major means to achieve it. So was true for ASEAN; so is equally true for SAARC. FDI as a proportion of GDP in all the SAARC countries is marginal as compared to ASEAN. In the aftermath of reduction of aid-flow, FDI appeared to be an increasingly attractive alternative to the capital inflow to developing countries. More often than not investors shied away; inadequate infrastructural facilities kept them at bay. Development of infrastructural facilities is the bottom line in this regard. The better would be on regional basis.

**b. Co-operation Within SAARC:** Industry has not been agreed as an area of co-operation initially, though some SAARC planners have recommended this as a core area of co-operation later. No break-through has been made yet in this regard. This could be complementarities in the fields of investment, technology, production and trade in the same lines as adopted by ASEAN. The areas where potentials already exist for trade, interaction and communication should be selected and regional projects established around them, rather than to identify the projects first and then hope that it would become a 'regional project' (Thambipillai, 1987). It is also possible to work out avenues under SAARC auspices, for intra-industrial specialization, counter-trade, product sharing, joint production ventures, joint marketing companies, exchange of experts and technical consultancy, etc (Mukesh, 1994). Like ASEAN, richer SAARC countries should invest in backward areas within the region to reap mutual benefits. Full use must be made of the wide opportunities offered by internet in industries, investment and trade co-operation.

**Planning of Programmes:** SAARC spends more time on framing the rules of co-operation and structures. The ASEAN documents are richer in program oriented details; SAARC's are richer in operational details (Chopra, 1987). Gradual evolution rather than planning of artificial goals would be a better way to implement the collective desire for co-operation. Informal thorough discussions and consensus without coercion are the most effective procedures for making decisions and planning programmes.

## **5. Recommendations**

**It is recommended that:**

- a. A genuine political will must be generated amongst SAARC members to co-operate. The onus of responsibility to create a congenial political atmosphere lies on the South Asian leaders who must act more in a statesman like manner.
- b. The spirit of non-interference in the internal matters of other members has to be deeply ingrained. A loose security treaty in line with ZOPFAN / ARF is to be signed so that members can safeguard their sovereignty and independence under the regional body.
- c. Borders between SAARC countries should be further opened to increase people to people contacts. Visa should not be required for brief visits.
- d. On all matters of mutual interest, especially regarding trade aspects, a collective bargaining stand should be taken.
- e. To promote industrialization, FDI has to be attracted by infrastructural development on a regional basis. Large regional industrial parks should be set up in backward areas of the region.
- f. To increase intra-SAARC trade SAPTA has to be widened and gradually it has to be transformed into SAFTA. The ultimate aim should be to form a South Asian common market.

## **6. Conclusion**

ASEAN was formed to accelerate economic growth and social development to raise the living standards of their people. Nowhere in the world has the economic growth been so phenomenal as in that region. Political differences and bilateral tensions were submerged. They operated on the basis of consensus, equality and mutual benefits. It was found that the simplest and workable goal is mutual accommodation. By means of reassuring each other by respecting each other's sovereignty, the foundation for meaningful co-operation was laid. Zonal security was viewed collectively; thereby defence spending along common borders was retrenched. Additional resources were used for economic upliftment.

A collective stand is taken by them while bargaining with trading partners. Tariff and non-tariff barriers have been removed to increase intra-ASEAN trade. Preferential

trading arrangements were made, thereafter widened and finally AFTA was formed. Great strides have been made in industrialization by attracting FDI. Though intra-ASEAN co-operation in industrialization did not meet with desired success, yet efforts are made to explore new ways of co-operation. They have a unique system of planning. With patience they carry out frequent discussions informally to formulate a plan that is richer in program oriented details. New arenas are explored to expand the base of co-operation. The latest has been the use of cyber-space to promote trade, investment and industrialization. SAARC was formed in 1985 to attain the common objectives of economic and social development of South Asian nations. The study observed that, to reach the objective it has to traverse a long way. Absence of true political will is the root cause. It has bred intra-state suspicion. Tangible results cannot be achieved overnight with the given suspicion and hatred that was built over the years. Yet efforts must not falter. Experiences of ASEAN stand out as a unique example of successful regional co-operation. SAARC can replicate them.

The edges of bilateral disputes between SAARC nations have to be blunted and tensions have to be diffused for mutually beneficial relationship. To allay fears and suspicion and to promote confidence-building, people to people contact should be increased. Intra-SAARC travel should be made easier. Sovereignty of each member must be respected and maintained. Defence along common borders drains out a large chunk of budget and allocation for economic development projects remains well below the desired level. Regional security must be perceived collectively and defence expenditures should be reduced to channel scarce resources for economic emancipation. Member countries must strengthen their position while negotiating with extra-regional countries on matters of mutual interest.

Intra-SAARC trade is marginal, though some headway has been made under SAPTA. SAPTA should be widened and gradually be transformed into SAFTA. There is a dire need for industrialization in some SAARC countries. Road to industrialization should be pursued by attracting FDI and by mutual co-operation within the region. While planning and undertaking regional projects, governments should consult with other members regularly and informally instead of resorting to formal meetings and treaties.

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